Real Estate JVs: why operational discipline matters

With real estate fundraising still challenging and investors increasingly selective about where they allocate capital, managers are turning to JVs and other partnership arrangements to unlock capital and build value. Dan Kalish and Rich Anthony explore how they've seen clients use these structures effectively.

Real estate managers are contending with a difficult mix of more selective investors, sluggish fundraising and competition from income-focused strategies such as private credit. In response, many are exploring more flexible partnership structures, including joint ventures (JVs), co-investments, consortia, recapitalisations and minority stake sales, to help bridge valuation gaps and unlock liquidity.

While these arrangements can create clear commercial benefits, they also introduce new operational considerations. Once a deal is structured, managers need to know that the governance, reporting, data flows and stakeholder processes will work effectively in practice. Among our clients, we're seeing both a rise in these partnership models and a growing focus on how to operationalise them successfully.

Why are real estate partnership structures back in focus?

As Preqin's 2025 Global Real Estate report notes, global real estate fundraising was sluggish in the first nine months of 2024, with global capital raised contracting by 22%. Preqin also highlighted a 175% increase in European LP direct investment deal value from 2023, suggesting that investors are still prepared to deploy capital where they can access targeted opportunities. This is the primary reason for the increase in partnership structures.

A second reason is the persistent valuation gap between buyers and sellers, with some owners reluctant to crystallise losses through full disposals. In these situations, minority sales and recapitalisations can provide liquidity while allowing sellers to retain exposure to a future recovery. This is one reason minority deals are becoming a more prominent tool in volatile markets.

The third is refinancing pressure with assets and development portfolios financed when interest rates were lower needing new equity or a revised capital structure. And a fourth reason is investor demand for more direct exposure to favoured sectors.

Here's a quick reference table of different types of partnerships, their unique characteristics and what the benefits for managers can be:

Partnership type	What it is	Potential benefits
Joint venture (JV)	A partnership where two or more parties jointly own or control an asset, portfolio or platform, typically sharing capital, risk, governance and returns.	Can help managers access additional capital, share risk, combine specialist expertise and pursue larger or more complex opportunities than they might undertake alone.
Co-investment	A structure where an investor deploys capital alongside a fund or manager into a specific asset, portfolio or transaction.	Can give investors more targeted exposure and managers additional capital for priority deals, while strengthening investor relationships and reducing concentration within the main fund.
Consortium	A group of investors or managers that come together to pursue a larger transaction, platform or strategy.	Can increase buying power, spread execution risk and bring together complementary capital, sector expertise and operating capabilities.

Recapitalisation	A restructuring of an asset, portfolio or platform's capital base, often involving new equity or debt.	Can provide liquidity, refinance existing obligations, support growth plans and avoid the need for a full sale in a challenging market.
Minority stake sale	A transaction where an owner sells a non-controlling interest in an asset, platform or business.	Can raise capital while allowing the seller to retain control and future upside, giving the buyer access to a targeted opportunity without full ownership.

What changes when real estate investors move from fund-level capital deployment to asset-level collaboration?

These structures fundamentally change the relationship between manager and investor because LPs are no longer only committing to a blind-pool fund. Depending on the form the partnership takes, they are co-owning an operating platform, recapitalising a portfolio, investing alongside a manager in a specific asset or taking a minority stake in a business.

As an example, CPP Investments' €400 million ($470 million) co-investment in Proudreed alongside funds managed by Blackstone gave CPP Investments a significant minority interest in one of France's largest last-mile urban logistics platforms, which owns and manages approximately 1.6 million square metres of multi-let logistics and light industrial assets across France, with growth potential.

For an institutional investor the partnership offers targeted exposure to a favoured sector and geography. For the manager, however, the structure requires clarity over how information flows, how development decisions are made, how valuation is governed and how majority and minority stakeholder interests remain aligned.

In the U.S., real estate manager Harbor Group International's joint venture with The Garrett Companies and Telis Group funded a $630.5 million recapitalisation of an 11-asset multi-family development portfolio across four states. Harbor Group said the transaction required coordination with nine different lenders, underlining how operational complexity can increase when new equity, existing lenders, operating partners and multiple assets are brought into one structure.

The same dynamic is visible in platform recapitalisations, such as StepStone Real Estate and Greykite's €1.5 billion recapitalisation of Vitalia, Spain's second-largest care-home owner and operator. It involved StepStone and Greykite acquiring a majority interest, while CVC, Vitalia's founder and senior management retained minority stakes.

Across these examples, the common threads are access to capital, of course, but also alignment around assets and growth plans. That alignment needs a governance and reporting model that works in practice.

How can real estate fund managers handle operational complexity in partnership deals?

The most effective way of managing friction between future partners is to consider where areas of conflict or misalignment might arise. Fund managers should consider the following five points to better manage competing requirements:

1. Map stakeholders and align calendars. Managers should map who needs what information, how often they need it and which obligations are quarterly, monthly or event driven.
2. Put in place agreed governance processes. Control rights may be shared with minority investors. Agree who owns asset-level data, who validates it and how changes to assumptions are tracked.
3. Establish an agreed valuation methodology. Minority interests, platform stakes and recapitalised assets may require different valuation considerations from wholly owned assets, how this is worked out needs to be agreed upon up front.
4. Create a single source of data truth. Clear data ownership improves consistency and reduces reconciliation risk and the best way of ensuring this is through embedded workflows that do not depend on manual workarounds or individual knowledge.
5. Design the operating model alongside the transaction. Cross-border

partnerships may involve multiple jurisdictions, vehicles, advisers, tax regimes and reporting obligations. Bring in third-party providers early and ensure they understand the structure before reporting issues arise.

Why is fund structuring becoming a source of competitive advantage?

Real estate managers who are most likely to be successful will be those that can match structuring creativity with operational discipline. The confidence this builds with investors is the scaffolding real estate managers need to support their ongoing success in a tough fundraising market.

Aztec has global experience in building and delivering tailored operating models across multiple jurisdictions for real estate clients. We would be delighted to talk to you about a partnership that works specifically for your business. If you’d like to discuss any of the topics raised, please contact us directly.